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SECRET//NF - QADHAFI ADAPTS TO MID-EAST REALITIES

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Gadhafi's Declining Role in Arab Politics

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President Qadhafi--chastened by his own policy failures and Libya's declining role in Arab politics--has gradually come to realize that he must adapt to a new set of realities in the Middle East. In our judgment, Major al-Huni--one of the most capable and even-handed members of the ruling military council and the newly appointed foreign minister--has been instrumental in persuading Qadhafi that his extreme policies and arbitrary tactics have now become not only counterproductive but dangerous. We interpret al-Huni's acceptance of the foreign minister's post as a strong indication that Qadhafi is reassessing his options and priorities and that al-Huni, at least for a time, will have considerable leeway in pursuing his more moderate approach to foreign policy.

Pressure on the Libyan leader to temper his actions has been building for some time. His promotion of ill-conceived union schemes, his uncooperative attitude during the October war, and his efforts to obstruct a united Arab negotiating policy have so damaged his image and isolated Tripoli that other members of the regime are now seriously questioning their leader's judgment. The ruling council and key military officers--the mainstay of Qadhafi's power--are pressing for a greater voice in decision-making and are demanding that Libya's interests no longer be gambled on illusory causes. Members of the country's sole political party, a powerless body but an important gauge of popular feelings, are openly grumbling about Qadhafi's exclusive handling of foreign affairs, blaming him personally for Libya's current difficulties. Although we believe the regime is still fully capable of fending off potential challengers, Qadhafi's heightened concern for his personal security suggests that for the first time he sees himself as a vulnerable target.

Qadhafi also faces economic difficulties that could best be resolved by a more pragmatic political course. His most immediate problems are:

- low levels of oil production at a time when Libyan expenditures and future financial commitments are high;

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--a growing need for skilled and unskilled workers and technical experts in virtually all fields that is not being met by the Egyptians, who, although distrusted, are still more acceptable to the xenophobic Libyans than non-Arabs;

Libya's lack of human resources and the likelihood that its oil reserves will be exhausted in several decades also pose critical long-range considerations that weigh heavily on Qadhafi's thinking. Although the Libyan leader usually couches his unity pitches in near-mystical terms, he does recognize that a reliable, cooperative alliance with Egypt--the only neighboring country that can realistically insure Libya's economic future--must be maintained.

For these and other reasons, reconciliation with Cairo is now Libya's top priority; Qadhafi and al-Muni are of one mind on this goal, which gives impetus to their efforts in other directions. Al-Muni, however, views good relations with the Maghreb as an important balance to close ties with Egypt, and he has apparently been the main advocate of Tripoli's conciliatory attitude toward Morocco and Algeria. There are tentative signs that the Libyans are trying to improve bilateral channels of communication elsewhere--especially within the moderate Arab bloc.

Qadhafi's desire for an improvement in US-Libyan relations stems from a complex mixture of motives. These include:

- fear that the US intends to invade Libyan oilfields and a near-desperate hope of reducing that threat;
- a desire to regain international respectability that diplomatic attention from Washington would help to recapture;
- a hope of demonstrating a willingness to cooperate in an important aspect of coordinated Arab policy;
- a wish to dispel the impression of a Libyan shift toward Moscow in the wake of the Libyan-Soviet arms agreement;
- a desire for US authorization of arms sales to Tripoli and increased access to US technical and academic expertise.

The Libyans have made such an issue over Washington's release of the C-130 aircraft that our acquiescence may have become--for them--a precondition for a dialogue. We are still inclined to believe that the matter is essentially a symbolic one that might be circumvented.

There are only the most tentative signs that Qadhafi is prepared to modify his position on solutions to the Middle East dispute. In an interview late last month, he did issue a qualified endorsement of the principle of peaceful negotiations, but since then, the Libyan media and other regime officials have on occasion spouted Tripoli's usual militant line. Al-Huni, whose authority is clearly circumscribed by Qadhafi, has judiciously avoided the issue.

Much of Tripoli's activity in the new direction of flexibility is a groping, born out of necessity rather than conviction. Although Qadhafi for some time has seemed uncertain of himself, he probably has not reached the point of questioning his fundamental views. We suspect that his militancy toward Israel, his basic antagonism toward the superpowers, and his commitment to a specifically Islamic Arab revolution remain unchanged. His recent experiences nevertheless may have had a permanently sobering affect on a young man who--although once willing to pursue his vision regardless of the risk--has become more concerned with preserving and strengthening what he has already achieved.

At this point, however, much will depend on the success of al-Huni's efforts and the changing circumstances in the Middle East.

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